



TOWN OF WARREN, RHODE ISLAND

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Office of Town Manager

February 8, 2016

Warren Town Council
Town Hall
514 Main Street
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Re: Town Budget

Honorable Members of the Town Council:

In accordance with Section 15.18(2) of the Town Charter, I hereby submit the proposed budget for the fiscal year 2016-2017. I look forward to opportunities to explain and discuss the proposal in detail with you in the coming weeks and months.

As always, the proposed budget is based on projections and estimates of needs, expenses and revenue. I want to thank our department heads for their assistance in developing and balancing these, and the finance director in particular for his guidance, expertise and patience.

Finalizing this budget will require, more so than perhaps in other years, that we not only look at FY 2016-17, but also take into account recent budget history, and consider carefully what lies ahead in following years. Looking back, we can acknowledge that the Town's finances have improved and stabilized, thanks to improved financial management and to tough but necessary decisions that had to be made by my predecessor and by the Council. At the same time, past events, in particular the controversy surrounding education funding, continue to affect our ability to meet real needs, in a timely and cost-effective manner, on both the operational and especially the capital sides of the budget. Delays in building and infrastructure improvements, and in replacing old and unreliable equipment, not only affect our services, from public works to recreation, but are costly in the long run, for example, by necessitating unscheduled emergency repairs that often do not improve long term reliability.

Looking ahead, we face probably our biggest challenge in the form of a \$20 million bond issue for the planned, and mandated, upgrade of the wastewater treatment facility. It is the largest reason by far for a huge increase in the FY 2016-17 capital budget; yet its impact will not really be felt until the fiscal year in which the Town will begin drawing down the funds. The amount and proportion of debt service will increase significantly, which is projected to require an exemption from the 4% cap on tax increases. (For example, current projections are that the effect on the tax levy will increase by 5.9% in FY 2017-18 and by 6.0% in 2018-19.)

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As you know, the Town is bound by a consent agreement to complete this upgrade and has known for some time that a bond issue of this magnitude was coming. We now must deal with, not only the relatively minor impact in the next two fiscal years, but also significant long term impact on tax payers, and on the Town's capital program. The proposed budget already reflects a focus on reducing debt service, by proposing to use at least \$500,000 out of the General Fund to pay for some capital expenditures; given the healthy condition of the fund, this would not have a negative impact on the Town's rating. Another opportunity may present itself if/when the judge's decision in the school funding case is implemented and the Town receives a significant reimbursement for what it overpaid in education expenses. Because of ongoing litigation, the proposed budget does not reflect this, but I recommend that using the money to lower the amount of projected debt service, and thereby the tax burden, be considered a high priority.

Although an effort has begun to limit capital expenditures, especially where there may be opportunities to pursue other (grant) funding sources, this budget does propose several. That is not only because the equipment (for example, vehicles) or project (paving, curbing and sidewalks) are needed, but also because postponing these expenditures would lead to worse impacts in future years, when the effect of much higher debt service will be felt. Also, the rising cost of frequent and/or unscheduled repairs suggests that replacing equipment is the more cost-effective approach. (More generally, I recommend that the Town develop multi-year equipment replacement and capital improvement plans; the latter will also position us better in competing for grants.)

Summary:

Overall, the proposed budget shows a 2.2% in expenditures over the current fiscal year. With the cost of financing still relatively low, this is projected to result in a 1.5% increase in the overall tax rate. Please note that the initial budget requests by departments would increase the budget by 4.0%, and the tax rate by 3.5%.

Operations:

Cost would increase by approximately \$565,800 (4.3% - compared to 7.5% requested). The largest items are a \$253,000 (15.7%) increase in debt service on current bonds; \$112,000 (12.7%) for Town Offices (increased use and cost of legal services); and \$70,000 for Fire Safety. General government costs decrease, in part because of longevity- and pension-related decreases. Salary increases are generally held to 2.5%, unless otherwise mandated by collective bargaining agreements. In one case, we propose to add 4.5 hours per week for one part-time clerk, instead of adding another part-time position.

Please note that lifeguards have been moved from the Department of Public Works to the Recreation Department (DPW), while recreational facility management, maintenance and upgrades remain with DPW. The proposed budget also restores part-time help in DPW, to be used during especially labor-intensive periods or events.

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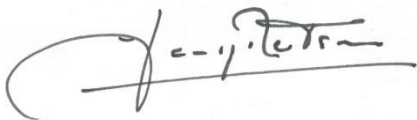
Regarding Grants and Contributions, I would like to emphasize the importance of partnerships with and among several recipients, organizations that can be of significant assistance to the Town, whether in promoting economic development, tourism, the arts and tourism, or in pursuing alternative funding sources for programs, including recreation and downtown revitalization.

Capital Budget:

Due to the \$20 million bond that needs to be included in this budget, the overall increase is a daunting 693%. When the \$20 million bond is excluded, the increase is \$977,773 (32%) over the current fiscal year. The largest factor is \$1.5 million in estimated cost of repairing the sea wall at Town Wharf, based on recent inspections. The next largest amount is \$1,343,000 for DPW (compared to \$420,000 in the current year), which will allow half of the outstanding paving, curbs and sidewalk to get done, as well as pay for replacement of two vehicles, instead of the four in need of replacement. As indicated above, postponing these expenditures could result in higher costs and complicate budgeting even more in future years. The budget also includes \$500,000 in bond funding for open space. This would provide new *authority to borrow* up that amount over three years, if needed. It is included because of few remaining opportunities to preserve priority open space, farm land and other conservation land. Please note that certain items, such as self-contained breathing apparatus for the Fire Department and software upgrades for other departments are mandated and/or necessary to meet the standards of networks we participate in (and benefit from).

I hope these explanations are helpful as you begin your part of the budget process. I look forward to working with you to bring that process to a satisfactory conclusion.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan H. Reitsma", with a large, sweeping initial "J" and a horizontal line extending to the right.

Jan H. Reitsma
Interim Town Manager